

**MINUTES  
BOARD OF TRUSTEES OF THE  
PUBLIC EMPLOYEES' RETIREMENT FUND  
143 West Market Street, Suite 500  
Indianapolis, Indiana 46204  
December 17, 2004**

**EXECUTIVE SESSION**

Trustees Present

Jonathan Birge, Chair  
Richard Doermer, Vice Chair  
Garland Ferrell, Trustee  
Bob Welch, Trustee

Others Present

Craig Hartzler, Executive Director  
Bruce Kimery, Deputy Executive Director/Chief Benefits Officer  
Leisa Julian, General Counsel

**REGULAR SESSION**

Trustees Present

Jonathan Birge, Chairman  
Richard Doermer, Vice Chair  
Garland Ferrell, Trustee  
Bob Welch, Trustee

Others Present

Dian Christy, BCI  
Robert Reed, BCI  
Patrick Bachofner, BCI  
Jon Laramore, Governor's Office  
Douglas Todd, McCready & Keene  
Mary Beth Braitman, Ice Miller

PERF Staff Present

Craig Hartzler, Executive Director  
Bruce Kimery, Deputy Executive Director/Chief Benefits Officer  
Leisa Julian, General Counsel  
Lisa Barton, Graphic Designer

Bruce Fink, Chief Investment Officer  
Michael Horstman, Chief Financial Officer  
Clay Jackson, Chief Internal Auditor  
Patrick Lane, Director of External Affairs  
Linda Villegas, Staff Attorney  
Cindy Osborne, Executive Assistant to the Executive Director

### **Sagamore of the Wabash Presentation to Mr. Hartzler**

- Mr. Laramore of the Governor's Office presented Mr. Hartzler with a Sagamore of the Wabash. It reads as follows:

Whereas, the greatness of the sons of Indiana derives in part, from qualities possessed by the noble chieftains of the Indian tribes which once roamed this domain, and whereas, it has been an immemorial custom of the State of Indiana to attract to its support those who exhibited such qualities, and whereas, there has endeared himself to the citizens of Indiana one, Craig Hartzler, distinguished by his humanity in living, his loyalty in friendship, his wisdom in counsel and his inspiration in leadership. Now, therefore, recognizing his greatness and desiring to avail myself of his counsel, I do hereby appoint him a Chieftain upon my staff with the rank and title of Sagamore of the Wabash.

- Mr. Hartzler thanked the Governor and Mr. Laramore.

The Board of Trustees meeting was called to order by Chairman Birge

## **I. APPROVAL OF THE MINUTES**

**MOTION** duly made and carried to approve the Minutes of the November 19, 2004 Board of Trustees meeting as revised.

<i>Proposed by:</i>	<i>Garland Ferrell</i>
<i>Seconded by:</i>	<i>Bob Welch</i>
<i>Votes:</i>	<i>Four in favor, 0 against, 0 abstentions</i>

## **II. OLD BUSINESS**

### **A. State Board of Accounts Audit**

- Mr. Hartzler reviewed the progress report of the financials and compliance audits for fiscal year ending June 30, 2003. The report is color-coded and he clarified the colors on the report. Yellow means in progress, Green means completed, Red means no progress. He also reviewed the matrix, indicating who is responsible for each finding. He

also reported that Crowe Chizek was asked to reconcile cash at PERF. They have just about completed this task.

#### Internal Audit

- Mr. Hartzer reiterated some items from the Chief Internal Auditor's earlier report. There are 28 findings, 11 are still open.

### **III. NEW BUSINESS**

#### **A. New Units/Enlargements**

- Mr. Kimery reminded the Board that a number of New Units and Enlargements were approved at the November Board meeting and there is only one at this time. He also reminded the Board that the only time there can be New Units and Enlargements is either the first of January or the first of July. This will be effective January 1, 2005.

**MOTION** duly made and carried to approve the one New Unit and Enlargement, Rural Community Schools, Inc., a charter school, effective January 1, 2005.

<i>Proposed by:</i>	<i>Garland Ferrell</i>
<i>Seconded by:</i>	<i>Bob Welch</i>
<i>Votes:</i>	<i>Four in favor, 0 against, 0 abstentions</i>

#### **B. BCI Update on Legislative Enhancements**

- Mr. Bachofner of BCI introduced his colleagues. They are Mr. Robert Reed, Minority Business Enterprise, and Ms. Dian Christy, Project Manager. He reported there were four legislative acts that covered the eight enhancements that BCI is working on. They included, Senate Enrolled Act 59 – 2002, Senate Enrolled Act 60 – 2002, Senate Enrolled Act 269-2001 and Senate Enrolled Act 260-2001. The eight enhancements are Pension Relief Payments, 8-Year Vesting for Elected Officials, Rollover Accounts, Rollovers for Purchase of Service Credit, Purchase of Service in Another Governmental Plan, 1977 Fund Purchase of Service Credit, DROP and Line of Duty Death Benefits. He reported that currently the 8-Year Vesting for Elected Officials, Deferred Retirement Option Plan (DROP) and Purchase of Service in Another Governmental Plan are completed. He reported that BCI expects to complete the project in early February 2005.

#### **C. IPSI Board Member**

- Mr. Hartzler reported that Ms. Laura Larimer has resigned as the IPSI Board Member. Ms. Larimer was appointed by the Board for the rotating seat. Mr. Hartzler recommended appointment of a new Board member. After much consideration, there are no new candidates at this time and he recommended that the Board wait until the next Board meeting to appoint a new IPSI Board member.

#### **IV. COMMITTEE REPORTS/RECOMMENDATIONS**

##### **A. Investment Committee**

- Mr. Doermer reported that Strategic Investment Solutions (SIS) brought the Committee up to date on the two Private Equity RFPs. He reported that the Committee discussed with SIS their search of two new fund of fund managers, one Venture Capital and the other for the International. He reported that SIS has not completed those searches and that they are interviewing the respondents. They intend to have a recommendation of their top candidates at the January board meeting.
- He also reported that the Committee considered and resolved to recommend to the Board a number of amendments to the Board's Statement of Investment Policy. Some of the key points were insurance coverages reported by our managers, the investment in commingled and pooled funds, and a provision for a new and clearly expressed authority to permit managers to invest in over-the-counter securities. In addition, there was a new addendum for Pension Relief. Lastly, there was a recommendation to establish a framework to enable PERF staff to consider PERF's position with pending securities litigation. The Committee resolved to recommend the enactment of these amendments in the Board's Statement of Investment Policy.

**MOTION** duly made and carried to accept the amendments to the Board's Statement of Investment Policy.

<i>Proposed by:</i>	<i>Richard Doermer</i>
<i>Seconded by:</i>	<i>Garland Ferrell</i>
<i>Votes:</i>	<i>Four in favor, 0 against, 0 abstentions</i>

##### **B. Audit and Budget Committee**

- Mr. Ferrell reported that the Committee spent a considerable amount of time discussing the audit activities with respect to internal audit and outside audits. He reported that the Committee recommended to the Board the adoption of revisions to the Audit and Budget Committee Charter as well as the Internal Audit Department Charter.

**MOTION** duly made and carried to adopt the revisions to the Audit and Budget Committee Charter and the Internal Audit Department Charter.

*Proposed by:*                      *Garland Ferrell*  
*Seconded by:*                  *Richard Doermer*  
*Votes:*                              *Four in favor, 0 against, 0 abstentions*

- Mr. Ferrell reported there was one major committee recommendation on the Crowe Chizek work that they have been doing with respect to the reserve reconciliation project. The total net adjustments recommended to the general ledger were approximately \$125 million. Total reconciling items were approximately \$1.3 billion. He also stated that these adjustments would not impact benefits or employer contributions. The Committee recommends that the Board approve the general ledger total net adjustments of approximately \$125 million.

**MOTION** duly made and carried to approve the Committee's recommendation to approve Crowe Chizek's recommended total net ledger adjustments of approximately \$125 million.

*Proposed by:*                      *Garland Ferrell*  
*Seconded by:*                  *Bob Welch*  
*Votes:*                              *Four in favor, 0 against, 0 abstentions*

## **V. REPORT OF EXECUTIVE DIRECTOR**

### **A. Operations Update**

- Mr. Kimery discussed the status of the temporary accounts. He reported that they are taking the accounts that have less than \$200 in them and issuing refunds. He reported that IPSI has modified the SIRIS system. He reported that other temporary accounts have been identified and that we are requesting the employers provide membership records or as much information as they have on that particular individual for whom we have a temporary account. He reported there were 250 retirements processed for the month of December.
- Mr. Birge asked for a motion to appoint Mr. Kimery as acting Executive Director as of January 11, 2005.

**MOTION** duly made and carried to appoint Mr. Kimery as acting Executive Director of PERF as of January 11, 2005.

*Proposed by:*                      *Garland Ferrell*  
*Seconded by:*                  *Richard Doermer*  
*Votes:*                              *Four in favor, 0 against, 0 abstentions*

- Mr. Birge presented Mr. Hartzer with a resolution from the Board in recognition of his service to PERF. It read as follows:

Recognizing Craig E. Hartzer for his service to the Indiana Public Employees' Retirement Fund Board of Trustees. Whereas, the Public Employees' Retirement Fund is dependent upon the efforts of its staff to carry out its fiduciary responsibilities, serve the members of the fund, and pay the retiree benefits the members have earned. Whereas, on January 10, 2003, Craig Hartzer was appointed as Executive Director of the Public Employees' Retirement Fund and served the fund in a time of tremendous need under difficult circumstances. Whereas, Craig began his tenure of service to the State of Indiana in 1989 with the Department of Commerce working for the then Lieutenant Governor, Frank O'Bannon, ultimately serving as Chief Deputy Executive Director of the department, Craig also served as the Executive Assistant for policy for Lieutenant Governor O'Bannon in 1996. In January 1997, Craig was named policy director to the late Governor O'Bannon before becoming Commissioner to the Department of Workforce Development later that year. Whereas, Craig's dedicated service to the State of Indiana extended primarily into the areas of community and economic development. Whereas, Craig's commitment to public service is further evidence by his tenure in the office of the Mayor of South Bend from 1982-1988, where he served as Executive Assistant to the Mayor and finally as Deputy Mayor. Whereas, Craig Hartzer showed admiral care and concern for the welfare of the fund and its members and is regarded with the highest esteem by the Board members and the staff of the Fund, therefore, be it resolved, the Board of Trustees hereby thanks Craig E. Hartzer for his dedicated service to the citizens of Indiana and the Indiana Public Employees' Retirement Fund. Dated December 17, 2004.

- Mr. Hartzer thanked the staff and the Board of Trustees.

#### **VI. DATE OF NEXT MEETING**

- The date of the next Board of Trustees meeting will be January 21, 2005.

#### **VII. ADJOURNMENT**

There being no further business, the meeting was adjourned.